

Message Text

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PAGE 01 JOHANN 01185 201209Z

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ACTION COME-00

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FM AMCONSUL JOHANNESBURG

TO SECSTATE WASHDC PRIORITY 4898

INFO AMEMBASSY PRETORIA

LIMITED OFFICIAL USE JOHANNESBURG 1185

E.O. 11652: N/A

TAGS: BENC, SF, ENRG

SUBJ: MAJOR PROJECTS: ISCOR DIRECT REDUCTION PLANT

REF: A. STATE 172564 B. JOHANNESBURG 1142 C. PRETORIA 3151

1. IN CONVERSATION TODAY WITH RICHARD GROSS, NORTH CAROLINA NATIONAL BANK REPRESENTATIVE IN JOHANNESBURG, CONGEN LEARNED THAT GROSS HAS HAD CONVERSATION LAST WEEK WITH M.D. MORAY, MANAGING DIRECTOR OF ISCOR CONCERNING THE ISCOR SUSPENSION OF THE DIRECT REDUCTION PLANT REFTELS. ACCORDING TO GROSS, MORAY SAID FOR REASONS OF BALANCE OF PAYMENTS SITUATION IN WHICH SOUTH AFRICA CURRENTLY (AND FOR FORSEEABLE FUTURE) FINDS ITSELF, MAJOR PROJECTS BY SOUTH AFRICAN PARISTATALS SUCH AS ISCOR ARE BEING INCREASINGLY DEFERRED. INDEED, ALTHOUGH MORAY TOLD GROSS THE DIRECT REDUCTION PROJECT HAS BEEN DEFERRED FOR ONE YEAR, HE MORAY, DOES NOT SEE THE PROJECT BEING APPROVED FOR REASONS OF FINANCE EVEN THEN.

2. GROSS SAYS HE THEN ASKED MORAY WHAT WOULD BE ISCOR'S ATTITUDE IF EXTERNAL FINANCING WERE AVAILABLE AND SUCH COULD

BE FORTHCOMING IN A PROPOSAL. GROSS SAYS MORAY WAS NON-COMMITTAL; HOWEVER, HE GROSS INFERS THAT THE NEXT STEP IS UP TO INTERESTED US FIRMS.

3. COMMENT: GROSS IS SOUTH AFRICAN CITIZEN RECENTLY APPOINTED AS NORTH CAROLINA NATIONAL BANK'S (NCNB) REP IN JOHANNESBURG.

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PAGE 02 JOHANN 01185 201209Z

HE HAS INFORMED US THAT NCNB SEES ITS FUNCTION AS GETTING

FINANCING PACKAGES TOGETHER FOR PROJECTS LEADING TO US EXPORTS
AND HE BELIEVES IT NOW UP TO MIDREX TO MOVE PROMPTLY TO
PROVIDE PROPOSAL TO ISCOR. WE HAD CONVERSATIONS WITH GROSS
HERE WHILE MIDREX TREASURER ANDERSON WAS IN RSA IN CONNECTION
WITH DIRECT REDUCTION PROJECT AND FIND HIM TO BE ABLE AND
AGGRESSIVE YOUNG BANKER. HOWEVER, WE BELIEVE GROSS MAY BE
OVERSTATING WILLINGNESS ISCOR TO GO FOR DIRECT REDUCTION
PLANT NOW IN FACE OF CURRENT AND FORSEEABLE ECONOMIC SITUATION
WHICH, AS PRETORIA SUGGESTS, PRESAGES BALANCE OF PAYMENTS
PROBLEMS WELL INTO 1977 (SEE PRETORIA'S A-87 DATED JUNE
29, 1976.)
JOHNSON

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Margaret P. Grafeld
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